

**LONG RAPIDS TOWNSHIP  
LACHINE, MICHIGAN**

Audited Financial Statements and  
Other Supplementary Financial Information

Year Ended March 31, 2005

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name LONG RAPIDS TOWNSHIP	County ALPENA
Audit Date 03/31/2005	Opinion Date 09/30/2005	Date Accountant Report Submitted to State: 09/30/2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.


We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

**We have enclosed the following:**

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) STRALEY, ILSLEY & LAMP PC			
Street Address 2106 US 23 SOUTH; P.O. BOX 738	City ALPENA	State MI	ZIP 49707
Accountant Signature 		Date 9-30-05	

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
**Long Rapids Township**  
Lachine, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of **Long Rapids Township, Lachine, Michigan** as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of **Long Rapids Township, Michigan's** management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of **Long Rapids Township, Lachine, Michigan** as of March 31, 2005, and the respective changes in financial position and cash flows, were applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, **Long Rapids Township** has implemented the provisions of the Governmental Accounting Standards Board Statement Number 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended and interpreted, as of April 1, 2004.

In accordance with *Government Auditing Standards* we have also issued our report dated September 29, 2005, on our consideration of **Long Rapids Township's** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Required Supplemental Information

The Management's Discussion and Analysis and the required supplemental information identified in the Table of Contents are not a required part of the basic financial statements but are supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

Individual Fund Financial Statements and Other Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise **Long Rapids Township, Lachine, Michigan's** basic financial statements. The accompanying information identified in the table of contents as individual financial statements and other supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as whole.

*Straley, Ilsley & Lamp P.C.*

September 29, 2005

## **LONG RAPIDS TOWNSHIP**

### **Management's Discussion and Analysis**

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The following is management's discussion and analysis of the financial position and results of operations for the fiscal year ended March 31, 2005. Please read it in conjunction with the financial statements and related footnotes, which follow this section.

This is the first year of implementation of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. Certain comparative information between the current year and the prior year is required to be presented in the Management's Discussion and Analysis (MD&A). However, because this is the first year of implementing the new reporting model, certain necessary comparative information of the previous year was not prepared. GASB Statement No. 34 permits the omission of comparative information in the first year of adoption of the new reporting model and, due to the financial resources necessary to prepare the comparative information for the prior year; the Township has elected to exclude the information in this report. Subsequent reports will include the comparative information.

#### **Using this Annual Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Long Rapids Township financially as a whole. The *Government-Wide Financial Statements* provide information about the activities of the whole Township, presenting both an aggregate view of the Township's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. The fund financial statements look at the Township's governmental funds. The remaining statement, the statement of fiduciary net assets, presents financial information about activities for which the Township acts solely as an agent for the collection of property taxes. The annual report is arranged as follows:

Management's Discussion and Analysis (MD&A)  
(Required Supplemental Information)

#### **Basic Financial Statements**

Government-Wide Financial Statements

Fund Financial Statements

Notes to the Basic Financial Statements

(Required Supplemental Information)

Budgetary Information for General Fund

#### **Other Supplemental Information**

Individual Fund Statements

## **LONG RAPIDS TOWNSHIP Management's Discussion and Analysis**

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### **Reporting the Township as a Whole – Government-wide Financial Statements**

The statement of net assets and the statement of activities, which appear first in the Township's financial statements, report information about the Township as a whole using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. The statement of net assets includes all of the Township's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

These two statements report the Township's net assets and how they have changed. Net assets – the difference between assets and liabilities, as reported in the statement of net assets - is one way to measure the Township's financial health, or position. Over time, increases or decreases in the Township's net assets – as reported in the statement of activities – are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the Township's operating results. However, the Township's goal is to provide services to our citizens, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the quality of the services provided and the overall health of Long Rapids Township.

The statement of net assets and statement of activities report the governmental activities for the Township, which encompass all of the Township's services, including general government, public safety, public works and community and economic development. Property taxes and state sales tax finance most of these activities.

### **Reporting the Township's Most Significant Funds – Fund Financial Statements**

The Township's fund financial statements provide detailed information about the most significant funds – not the Township as a whole. Some funds are required to be established by state law and by bond covenants. However, the Township may establish other funds to help it control and manage money for a particular purpose. The governmental funds of the Township use the following accounting approach:

Governmental Funds – All of the Township's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted to cash.

The governmental fund statements provide a detailed short-term view of the operations of the Township and the services it provides. Governmental fund information helps you to determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in a reconciliation.

## LONG RAPIDS TOWNSHIP Management's Discussion and Analysis

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### **The Township as Trustee – Reporting the Township's Fiduciary Responsibilities**

The Township is a trustee, or fiduciary, for its tax collection fund. All of the Township's fiduciary activities are reported in separate statements of fiduciary net assets. We excluded these activities from the Township's other financial statement because the Township cannot use these assets to finance its operations. The Township is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

### **The Township as a Whole**

Recall that the statement of net assets provides the perspective of the Township as a whole. Table 1 provides a summary of the Township's net assets as of March 31, 2005:

**TABLE 1**

#### **ASSETS**

Current and Other Assets	\$ 496,819
Property and Equipment	<u>504,913</u>

<b>Total Assets</b>	<b><u>\$ 1,001,732</u></b>
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#### **LIABILITIES**

Current Liabilities	\$ 20,305
Long-Term Liabilities	<u>270,000</u>

<b>Total Liabilities</b>	<b><u>\$ 290,305</u></b>
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#### **NET ASSETS**

Invested in property and equipment – net of related debt	\$ 219,913
Unrestricted	<u>491,514</u>

<b>Total Net Assets</b>	<b><u>\$ 711,427</u></b>
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The above analysis focuses on the net assets. The change in net assets (see Table 2) of the Township's governmental activities is discussed below. The Township's net assets were \$711,427 at March 31, 2005. Capital assets, net of related debt totals \$219,913 and compares the original cost, less depreciation of the Township's capital assets to long-term debt used to finance the acquisition of those assets. The remaining amount of the net assets (\$491,514) was unrestricted.

The \$491,514 in unrestricted net assets of governmental activities represents the *accumulated* results of all past years' operations. The unrestricted net assets balance enables the Township to meet working capital and cash flow requirements as well as provide for future uncertainties. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.



## LONG RAPIDS TOWNSHIP Management's Discussion and Analysis

The results of this year's operations for the Township as a whole are reported in the statement of activities (see Table 2), which shows the changes in net assets for fiscal year 2005. Since this is the first year the Township has prepared financial statements following GASB statement No. 34, a revenue and expense comparison to fiscal year 2004 is not available.

**TABLE 2**

	<u>Governmental Activities</u>
<b>Revenue</b>	
Program revenue:	
Charges for services	\$ 32,663
Operating grants	6,724
General revenue:	
Property taxes	124,793
State aid	71,328
Investment Earnings	6,692
Total revenue	\$ <u>242,200</u>
<b>Functions/Program Expenses</b>	
General government	\$ 164,287
Public safety	20,647
Public works	32,714
Community and economic development	794
Debt service	<u>16,639</u>
Total expenses	<u>235,081</u>
<b>Increase in Net Assets</b>	\$ <u><u>7,119</u></u>

As reported in the statement of activities, the cost of all of our *governmental* activities this year was \$235,081. Certain activities were partially funded from those who benefited from the programs \$32,663 or by other governments and organizations that subsidized certain programs with grants and contributions \$6,724. We paid for the remaining "public benefit" portion of our governmental activities with \$124,793 in taxes, \$71,328 in state sales tax and with our other revenues (i.e., interest and other general revenue).

The Township experienced an increase in net assets of \$7,119. The key reason for the change in net assets included a net increase from fund operations of \$17,248.

As discussed above, the net cost shows the financial burden that was placed on the State and the Township's taxpayers by each of these functions. Since property taxes for operations and State sales taxes constitute the majority of Township operating revenue sources, the Board of Trustees must annually evaluate the needs of the Township and balance those needs with State-prescribed available unrestricted resources.

## LONG RAPIDS TOWNSHIP Management's Discussion and Analysis

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### **The Township's Funds**

As we noted earlier, the Township uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the Township is being accountable for the resources taxpayers and others provide and may provide more insight into the Township's overall financial health. As the Township completed this year, the governmental funds reported a combined fund balance of \$496,819 which is an increase of \$17,248 from last year. The primary reason for the increase is continuing cost control efforts and careful matching of tax revenues with expenses. The 2005-06 budget as adopted in March of 2005 assumes the transfer and use of \$65,936 in fund balance.

The General Fund unreserved balance available to fund general operations costs for administrative and support services remains stable at \$496,819.

### **General Fund Budgetary Highlights**

Over the course of the year, the Township revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was actually adopted just before year-end. (A schedule showing the Township's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements).

### **Capital Assets and Debt Administration**

#### ***Capital Assets***

At March 31, 2005 the Township had \$504,913 invested in a broad range of capital assets, including land, buildings, equipment, and vehicles. This amount represents a net decrease (including additions, deductions, and depreciation) of approximately \$25,446 from last year.

	<u>2005</u>	<u>2004</u>
Assets not being depreciated – Land	\$ 18,751	\$ 8,751
Buildings improvements	488,820	488,820
Equipment	212,728	212,728
Fire truck	<u>160,254</u>	<u>160,254</u>
Total capital assets	\$ <u>880,553</u>	\$ <u>870,553</u>
Less accumulated depreciation	<u>375,640</u>	<u>340,194</u>
Net capital assets	\$ <u>504,913</u>	\$ <u>530,359</u>

This year's additions of \$10,000 for land was the only addition. No new debt was issued for this addition.

## **LONG RAPIDS TOWNSHIP Management's Discussion and Analysis**

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### ***Debt***

At the end of this year, the Township had \$420,465 in outstanding bonded debt and future interest payments. During the year ended March 31, 2005 the Township reduced its bond principal outstanding by \$15,000.

### **Economic Factors and Next Year's Budgets and Rates**

Our Board of Trustees consider many factors when setting the Township's 2005-06 fiscal year budget. The 2005-06 fiscal year budget was adopted in March 2005 based on property tax, state and other revenue estimates available at that time. State law requires the Township to amend the budget if actual resources are not sufficient to fund original appropriations.

Since the Township's revenue is heavily dependent on Property taxes and State funding and the economic health of the State of Michigan, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to Townships. The state periodically holds a revenue estimating conference to estimate revenues. Based on recent conference reports and subsequent preliminary data it appears the State will have to make adjustments to the planned state sales tax allocations as the year progresses.

### **Contacting the Township's Financial Management**

This financial report is designed to provide the Township's citizens, taxpayers, customers, investors, and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Long Rapids Township 11936 Long Rapids Road, Lachine, MI 49753.

Long Rapids Township

**STATEMENT OF NET ASSETS**

March 31, 2005

	<u>Primary Government Governmental Activities</u>
<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash and cash equivalents	\$ 396,240
Receivables (net of allowance for uncollectible accounts)	<u>100,579</u>
Total current assets	<u>496,819</u>
<b>NON-CURRENT ASSETS</b>	
Capital assets	880,553
Accumulated depreciation	<u>(375,640)</u>
Total non-current assets	<u>504,913</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 1,001,732</u></u>
<b>LIABILITIES</b>	
Accounts payable	\$ -
Accrued interest	5,305
Noncurrent liabilities	
Due within one year	
Bonds and loans	15,000
Due in more than one year	
Bonds and loans	<u>270,000</u>
<b>TOTAL LIABILITIES</b>	<u>290,305</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	219,913
Unrestricted	<u>491,514</u>
<b>TOTAL NET ASSETS</b>	<u><u>\$ 711,427</u></u>

The accompanying notes to financial statements are an integral part of this statement.

Long Rapids Township

**STATEMENT OF ACTIVITIES- GOVERNMENTAL ACTIVITIES**

Year ended March 31, 2005

	Expenses	Program Revenues Charges for Services	Operating Grants	Net (Expense) Revenue and Changes in Net Assets
<b>Functions/Programs:</b>				
<b>Primary Government:</b>				
Governmental activities:				
General government	\$ 164,287	\$ 27,163	\$ -	\$ (137,124)
Public safety	20,647	5,500	6,724	(8,423)
Public works	32,714	-	-	(32,714)
Community and economic development	794	-	-	(794)
Debt Service	16,639	-	-	(16,639)
Total governmental activities	<u>235,081</u>	<u>32,663</u>	<u>6,724</u>	<u>(195,694)</u>
Total primary government	<u>\$ 235,081</u>	<u>\$ 32,663</u>	<u>\$ 6,724</u>	<u>\$ (195,694)</u>
General Revenues:				
Property taxes, levied for general purposes				\$ 118,853
Property taxes, levied for fire department				5,940
State sales tax				71,328
Investment earnings				<u>6,692</u>
Total General Revenues				<u>202,813</u>
Change in Net Assets				7,119
Net Assets - Beginning of the year				<u>704,308</u>
Net Assets - End of the year				<u>\$ 711,427</u>

The accompanying notes to financial statements are an integral part of this statement.

Long Rapids Township

**BALANCE SHEET - GOVERNMENTAL FUNDS**

March 31, 2005

	<u>Governmental Fund Type</u>
	<u>General Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 396,240
Receivables (net of allowance for uncollectible accounts)	<u>100,579</u>
Total assets	<u><u>\$ 496,819</u></u>
<b>LIABILITIES AND FUND BALANCES</b>	
Accounts payable	<u>\$ -</u>
Total liabilities	<u>-</u>
Fund Balances:	
Unreserved	-
Undesignated	<u>496,819</u>
Total fund balances	<u>496,819</u>
Total liabilities and fund balances	<u><u>\$ 496,819</u></u>

The accompanying notes to financial statements are an integral part of this statement.

Long Rapids Township

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS - GOVERNMENTAL FUNDS**

As of March 31, 2005

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Fund balances - Total governmental funds		\$	496,819
Amounts reported for governmental activities in the Statement of Net Assets are different because:			
Capital assets used in governmental activities are not financial resources and therefore not reported in the governmental funds.			
Governmental capital assets	\$	880,553	
Less accumulated depreciation		<u>(375,640)</u>	
			504,913
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the governmental funds.			
1996 General obligation unlimited tax bonds		(120,000)	
2002 General obligation unlimited tax bonds		(165,000)	
Accrued interest payable		<u>(5,305)</u>	
			<u>(290,305)</u>
Net Assets of Governmental Activities		\$	<u>711,427</u>

The accompanying notes to financial statements are an integral part of this statement.

Long Rapids Township

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS**

For the Year Ended March 31, 2005

	<u>Governmental Fund Type</u>
	<u>General Fund</u>
<b>REVENUES</b>	
Taxes	\$ 124,793
Licenses and permits	12,683
State sources	78,052
Charges for services	19,980
Interest and rents	6,692
Other	-
Total revenues	<u>242,200</u>
<b>EXPENDITURES</b>	
General government	128,841
Public safety	30,647
Public works	32,714
Community and economic development	794
Other	-
Debt Service	<u>31,956</u>
Total expenditures	<u>224,952</u>
<b>EXCESS REVENUES OVER (UNDER) EXPENDITURES</b>	17,248
<b>FUND BALANCES</b> , beginning of the year	<u>479,571</u>
<b>FUND BALANCES</b> , end of the Year	<u>\$ 496,819</u>

The accompanying notes to financial statements are an integral part of this statement.



Long Rapids Township

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES - GOVERNMENTAL FUNDS**

For the Year Ended March 31, 2005

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Net change in fund balances - Total governmental funds		\$	17,248
Amounts reported for governmental activities in the Statement of Activities are different because:			
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives.			
Expenditures for capital assets	\$	10,000	
Less current year depreciation		<u>(35,446)</u>	
			(25,446)
Repayment of Bond Principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of activities:			
Principal paid on 1996 General obligation unlimited tax bonds		5,000	
Principal paid on 2002 General obligation unlimited tax bonds		<u>10,000</u>	
			15,000
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.			
Change in accrued interest payable		<u>317</u>	
			<u>317</u>
Change in Net Assets of Governmental Activities		\$	<u><u>7,119</u></u>

The accompanying notes to financial statements are an integral part of this statement.

Long Rapids Township

**STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS**

March 31, 2005

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	Agency Fund
	<hr/>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 86,079
	<hr/>
Total assets	\$ 86,079
	<hr/> <hr/>
<b>LIABILITIES</b>	
Due to other governmental units	\$ 86,079
	<hr/>
Total liabilities	86,079
	<hr/>
<b>NET ASSETS</b>	
Unrestricted	\$ -
	<hr/> <hr/>

The accompanying notes to financial statements are an integral part of this statement.

Long Rapids Township

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.**

The accounting policies of Long Rapids Township conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Township:

**A. Reporting Entity.**

**Description of Township Operations.** Long Rapids Township is a political entity situated within the County of Alpena which is located in the northeastern region of the lower peninsula of Michigan. The governing body of the Township is the Township Board, composed of the supervisor, the clerk, the treasurer, and four trustees. The Township supervisor acts as the chief administrative and executive officer.

The Township provides services to its citizens in general government, public safety, public works, and recreation and culture. Revenues for these services are provided chiefly by taxes and state shared revenues.

**B. Government-Wide and Fund Financial Statements.**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**C. Basis of Presentation.**

The accounts of the government are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds. The financial activities of the Township are recorded in separate funds and account groups, described as follows:

**Governmental Fund Types. General Fund.** This fund includes the general operations of the Township and transactions not included in other funds. The revenues of this fund are derived primarily from property taxes and state shared revenues.

**Fiduciary Fund Types. Trust and Agency Fund.** This fund is used to account for assets held by the Township in a trustee capacity or as an agent for individuals, organizations, other governments, or other funds.

Long Rapids Township

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.** (continued)

**D. Measurement Focus/Basis of Accounting.**

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures (expenses) are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied. The accounting policies of Long Rapids Township conform to generally accepted accounting principles as applicable to governmental units.

**Governmental Funds.** The Governmental Fund Types (General) use a financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e. both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Current expenditures are generally recorded when the fund liability is incurred, if measurable. Exceptions to this general rule include principal and interest on long-term debt, which is recognized when due, and accrued vacation and sick leave, which is recorded when payable from current available financial resources.

**Fiduciary Funds.** The Fiduciary Funds are maintained on a cash basis which is consistent with the accounting measurement objectives of the funds. Reporting these funds on a cash basis does not have an effect materially different from reporting them on the accrual or modified accrual basis as required by generally accepted accounting principles.

**Cash and Cash Equivalents.** For purposes of these financial statements, cash equivalents include time deposits, certificates of deposit, and all other highly liquid deposits with maturities of three months or less.

**Inventories.** Inventories are not considered significant and are recorded as expenditures when purchased.

**Capital Assets.** Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings and Improvements - 50 years  
Office Equipment - 10 years  
Vehicles - 10 years

**Accrued Liabilities and Long-term Obligations.** All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. In general, payments made within sixty days after year end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

**Net Assets.** Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the township through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Long Rapids Township

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.** (continued)

**Property Taxes.** Properties are assessed as of December 31, and the related property taxes become a lien on December 1 of the following year. The taxes are due on February 14 with the final collection date of February 28 before they are added to the delinquent County of Alpena tax rolls. Assessed values are established annually and are equalized by the State at an estimated 50% of current market value. Property in Long Rapids Township for the 2004 levy was assessed at a taxable value of \$291,939,899. The Township's general operating rate is currently 1.02622 mills and .9605 mills for fire department operations and expenditures. On February 27, 2001, the electorate of the Township of Alpena passed an additional .21 mills (currently .2037 mills) to acquire, construct, furnish, and equip an Alpena County Community Events Center. With other governmental services, such as county, schools, and ambulance, Township residents pay a total of 22.9941 mills for homestead property and 40.8305 mills for nonhomestead property.

By agreement with the County of Alpena, delinquent real property taxes are purchased by the County of Alpena. The proceeds from the County's purchase of the delinquent taxes are used to liquidate the Township's delinquent real property taxes receivables.

**Encumbrances.** Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation is not employed by the Township. Commitments outstanding at year end are charged against the subsequent year's appropriation once received and approved.

**Use of Estimates.** The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Accounting Change.** Effective April 1, 2004, the Township implemented the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments (GASB No. 34). Changes to the Township's financial statements as a result of GASB No. 34 are as follows:

- A Management's Discussion and Analysis (MD&A) section providing analysis of the Township's overall financial position and results of operations has been included.
- Government-wide financial statements (statement of net assets and statement of activities) prepared using full accrual accounting for all of the Township's activities have been provided.
- Capital assets in the governmental activities column of the statement of net assets includes assets totaling \$2,609,687 previously reported in the General Fixed Assets Account Group. Capital assets at April 1, 2004 previously reported in the General Fixed Assets Account Group have been adjusted by \$2,624,235, to reflect the historical cost and accumulated depreciation of the Township's capital assets at that date. In addition, the governmental activities column includes bonds and other long-term obligations totaling \$547,946 previously reported in the General Long-term Debt Account Group.
- The fund financial statements focus on major funds rather than fund types.
- The governmental funds now accrue a liability for compensated absences to the extent that they come due for payment prior to year end.

**Reclassification.** Certain items reported in the March 31, 2004, financial statements may have been reclassified to conform with the presentation for the current year.

Long Rapids Township

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 2--LEGAL COMPLIANCE.**

**Budgets and Budgetary Accounting.** Prior to adoption of the operating budget, Township departments prepare and submit their proposed operating budgets commencing the following April 1. A public hearing is conducted to obtain taxpayer comments. Prior to March 31, the budget is adopted by the Township Board. Budgeted amounts are as originally adopted, or as amended by the Township Board during the year. Unused appropriations at March 31, are not carried forward to the following year. The budget for the year ended March 31, 2005 was adopted on a functional basis.

P.A. 621 of 1978, section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Local Unit's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Long Rapids Township for these budgetary funds were adopted on a function level. Detail at the activity and departmental level is presented in the Individual General Fund Statement for the benefit of management.

During the year ended March 31, 2005, Long Rapids Township incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

<u>Fund</u>	<u>Total</u> <u>Appropriations</u>	<u>Amount of</u> <u>Expenditures</u>	<u>Budget</u> <u>Variance</u>
General Fund:			
Insurance and bonds	\$ 16,500	\$ 16,524	\$ 24

**Accumulated Fund Deficits.** Long Rapids Township had no funds with an accumulated fund balance/retained earnings deficit at March 31, 2005.

**NOTE 3--DEPOSITS WITH FINANCIAL INSTITUTIONS.**

The Township maintains separate cash accounts for each of its funds. Cash is not pooled.

For the year ended March 31, 2005 the carrying amount of the Township's deposits with financial institutions was \$439,230 and the bank balance was \$439,508. Of the bank balance, \$185,000 was covered by federal depository insurance (FDIC), with the remaining balance of \$254,508 being uninsured.

Statutes authorize the Township to invest as follows:

- (a) In bonds, securities, and other obligations of the United States, or an agency or instrumentality of the United States in which the principal and interest is fully guaranteed by the United States.
- (b) In certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank or a savings and loan association which is a member of the federal deposit insurance corporation or a credit union which is insured by the national credit union administration, but only if the bank savings and loan association or credit union is an eligible Michigan depository.
- (c) In commercial paper rated at the time of purchase within the 3 highest classifications established by not less than 2 standard rating services and which matures not more than 270 days after the date of purchase. No more than 50% of any fund may be invested in commercial paper at any time.
- (d) In United States government or federal agency obligation repurchase agreements.
- (e) In bankers' acceptances of United States banks.
- (f) In mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Long Rapids Township

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 4--CAPITAL ASSETS.**

Capital asset activity of the primary government for the current year was as follows:

	Primary Government		
	Balances April 1, 2004	Additions	Balances March 31, 2005
<b>Governmental activities:</b>			
Historical cost:			
Land	\$ 8,751	\$ 10,000	\$ -
Buildings and improvements	488,820	-	-
Equipment	212,728	-	-
Fire truck	160,254		
	<u>870,553</u>	<u>10,000</u>	<u>-</u>
			<u>880,553</u>
Allowance for depreciation:			
Buildings and improvements	(149,387)	(15,012)	-
Equipment	(182,794)	(4,409)	-
Fire truck	(8,013)	(16,025)	-
	<u>(340,194)</u>	<u>(35,446)</u>	<u>-</u>
			<u>(375,640)</u>
Net Capital Assets	<u>\$ 530,359</u>	<u>\$ (25,446)</u>	<u>\$ -</u>
			<u>\$ 504,913</u>

**NOTE 5--LONG-TERM DEBT** (including current portions). The bonds, dated November 14, 2002 are a full faith and credit general obligation unlimited tax bond of the Township and the principle and interest and any premium thereon will be payable from the proceeds of ad valorem taxes levied on all taxable property in the Township. Principal payments on the bonds begin May 1, 2003, and mature May 1, 2023. Interest rates, which range from 5.0% to 7.0% will be payable on November 1, 2003 and semiannually on each subsequent May 1 and November 1 prior to maturity or redemption.

Long-term debt (including current portions) of the Township is as follows:

	Balances, Apr 01, 04	Additions	(Reductions)	Balances, Mar 31, 05
<b>General Fund:</b>				
1996 General Obligation Unlimited Tax Bonds, Date of Issue: April 18, 1996 Amount of Issue: \$175,000	\$ 130,000	\$ -	\$ (10,000)	\$ 120,000
2002 General Obligation Unlimited Tax Bonds, Date of Issue: November 14, 2002 Amount of Issue: \$175,000	<u>170,000</u>	<u>-</u>	<u>(5,000)</u>	<u>165,000</u>
Totals	<u>\$ 300,000</u>	<u>\$ -</u>	<u>\$ (15,000)</u>	<u>\$ 285,000</u>

Long Rapids Township

**NOTES TO FINANCIAL STATEMENTS**

The annual requirements to pay principal and interest on long-term debt outstanding at March 31, 2005, are as follows:

For the Year Ended March 31	Principal	Interest	Annual Requirement
2006	\$ 15,000	\$ 15,475	\$ 30,475
2007	5,000	14,590	29,590
2008	5,000	13,695	28,695
2009	15,000	2,790	27,790
2010	15,000	1,875	26,875
2011-2015	95,000	4,125	139,125
2016-2020	70,000	9,375	89,375
2021-2023	45,000	3,540	48,540
	<u>\$ 285,000</u>	<u>\$ 135,465</u>	<u>\$ 420,465</u>

**NOTE 6—DEFINED CONTRIBUTION PLAN.**

The Township provides pension benefits for all of its employees who have reached age 18, through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment. Contributions are made solely by the Township which contributes an amount equal to 12% of the employees earnings annually. The Township's contribution for the year ended March 31, 2005 was \$4,588.

**NOTE 7--RISK MANAGEMENT.**

The Township is exposed to various risks of loss related to property loss, torts, errors, and omissions, employee injuries, unemployment benefits, as well as medical and workman's compensation benefits provided to employees. The Township has purchased commercial insurance for fleet equipment and tort claims, boiler and machinery, certain property and equipment damage and theft, employee theft, and limited tort claims for specific Township facilities or events.

Settled claims for the commercial insurance have not exceeded the amount of coverage in any of the past three years. There was no reduction in coverages obtained through commercial insurance during the past year.



## **REQUIRED SUPPLEMENTARY INFORMATION**

Long Rapids Township

**REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**

Year ended March 31, 2005

	Budget Amounts			Variance with
	Original	Final	Actual	Final Budget
<b>REVENUES</b>				
Taxes	\$ 108,215	\$ 108,215	\$ 124,793	\$ 16,578
Licenses and permits	13,500	13,500	12,683	(817)
State sources	75,000	75,000	78,052	3,052
Charges for services	9,500	9,500	19,980	10,480
Interest and rents	6,700	6,700	6,692	(8)
Other	-	-	-	-
Total revenues	<u>212,915</u>	<u>212,915</u>	<u>242,200</u>	<u>29,285</u>
<b>EXPENDITURES</b>				
General government	141,520	141,520	128,841	12,679
Public safety	37,266	37,266	30,647	6,619
Public works	40,000	40,000	32,714	7,286
Community and				
Economic Development	1,200	1,200	794	406
Other	17,400	17,400	-	17,400
Debt Service	31,990	31,990	31,956	34
Total expenditures	<u>269,376</u>	<u>269,376</u>	<u>224,952</u>	<u>44,424</u>
<b>EXCESS REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>	<u>(56,461)</u>	<u>(56,461)</u>	<u>17,248</u>	<u>73,709</u>
<b>FUND BALANCES, April 1</b>	<u>479,571</u>	<u>479,571</u>	<u>479,571</u>	<u>-</u>
<b>FUND BALANCE, March 31</b>	<u>\$ 423,110</u>	<u>\$ 423,110</u>	<u>\$ 496,819</u>	<u>\$ 73,709</u>

## **INDIVIDUAL FUND STATEMENTS**

Long Rapids Township

General Fund

**BALANCE SHEET**

	March 31	
	2005	2004
<b>ASSETS</b>		
Cash	\$ 251,825	\$ 306,881
Certificates of deposit	144,415	83,840
Taxes receivable	98,253	88,850
Accounts receivable	2,100	-
Interest receivable	226	-
	<u>\$ 496,819</u>	<u>\$ 479,571</u>
<b>LIABILITIES AND EQUITY</b>		
Accounts payable	\$ -	\$ -
	-	-
Fund Balances		
Unreserved		
Undesignated	<u>496,819</u>	<u>479,571</u>
	<u>496,819</u>	<u>479,571</u>
	<u>\$ 496,819</u>	<u>\$ 479,571</u>

Long Rapids Township

General Fund

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL**

	Year Ended March 31		
	2005 Budget	2005 Actual	2004 Actual
<b>REVENUES</b>			
<b>TAXES</b>			
Property taxes	\$ 94,715	\$ 117,308	\$ 111,365
Other taxes	5,000	5,262	5,262
Administration fees and interest	8,500	2,223	2,520
	<u>108,215</u>	<u>124,793</u>	<u>119,147</u>
<b>LICENSES AND PERMITS</b>			
Zoning permits	13,000	12,683	8,911
Planning commission fees	500	-	-
	<u>13,500</u>	<u>12,683</u>	<u>8,911</u>
<b>STATE SOURCES</b>			
Sales tax	73,000	71,328	74,965
Public safety grants	2,000	6,724	7,556
	<u>75,000</u>	<u>78,052</u>	<u>82,521</u>
<b>CHARGES FOR SERVICES</b>			
Tel-com payment	-	3,620	-
Fire protection	5,500	5,500	5,500
Cemetery fees	4,000	10,860	5,900
	<u>9,500</u>	<u>19,980</u>	<u>11,400</u>
<b>INTEREST AND RENTS</b>			
Investment income	4,000	4,501	4,071
Rental	2,700	2,191	3,098
	<u>6,700</u>	<u>6,692</u>	<u>7,169</u>
<b>OTHER REVENUES</b>			
Refunds	-	-	337
Sale of fixed assets	-	-	2,400
	<u>-</u>	<u>-</u>	<u>2,737</u>
<b>TOTAL REVENUES</b>	<u>212,915</u>	<u>242,200</u>	<u>231,885</u>

Long Rapids Township

General Fund

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL**

	Year Ended March 31		
	2005 Budget	2005 Actual	2004 Actual
<b>EXPENDITURES</b>			
<b>GENERAL GOVERNMENT</b>			
<b>LEGISLATIVE</b>			
Governing Body			
Employer share FICA	\$ 1,000	\$ 908	\$ 786
Printing and publishing	1,200	281	982
Snow plowing	1,400	1,084	1,443
Seminars and education	6,800	6,497	4,005
	<u>10,400</u>	<u>8,770</u>	<u>7,216</u>
<b>CHIEF EXECUTIVE</b>			
Chief Executive			
Wages	5,830	5,745	5,745
Per diem	450	437	512
Supplies	100	-	-
Mileage	100	126	12
	<u>6,480</u>	<u>6,308</u>	<u>6,269</u>
Administrator/Manager/Superintendent			
Board of Trustees	1,700	1,666	1,812
Mileage	500	17	297
Professional fees	6,000	5,395	9,280
Community promotion	4,500	4,303	10,024
	<u>12,700</u>	<u>11,381</u>	<u>21,413</u>
<b>FINANCIAL AND TAX ADMINISTRATION</b>			
Abstract Department			
Zoning supplies	-	-	42
Contracted services	13,000	12,633	8,821
	<u>13,000</u>	<u>12,633</u>	<u>8,863</u>
Assessor			
Wages	5,800	5,716	5,716
Per diem	300	200	-
Supplies	6,600	6,094	3,051
Mileage	100	100	-
	<u>12,800</u>	<u>12,110</u>	<u>8,767</u>

Long Rapids Township

General Fund

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL**

	Year Ended March 31		
	2005 Budget	2005 Actual	2004 Actual
<b>EXPENDITURES (continued)</b>			
Clerk			
Wages	\$ 6,835	\$ 6,736	\$ 6,736
Per diem	700	641	769
Supplies	2,500	2,224	1,212
Mileage	200	49	144
	<u>10,235</u>	<u>9,650</u>	<u>8,861</u>
Review Board			
Board of review	1,300	325	585
Mileage	150	-	-
	<u>1,450</u>	<u>325</u>	<u>585</u>
Treasurer			
Wages	6,835	6,736	6,736
Per diem	600	833	641
Supplies	2,000	1,902	1,395
Mileage	100	-	50
	<u>9,535</u>	<u>9,471</u>	<u>8,822</u>
<b>OTHER GENERAL GOVERNMENT</b>			
Elections			
Wages	2,500	2,155	-
Operating supplies	1,000	1,155	32
Printing and publishing	600	140	-
	<u>4,100</u>	<u>3,450</u>	<u>32</u>
Building and Grounds			
Wages	2,000	1,774	1,578
Professional fees	-	49	-
Utilities	8,500	8,802	8,190
Repairs and maintenance	10,000	5,312	27,725
	<u>20,500</u>	<u>15,937</u>	<u>37,493</u>
Retirement Board/Department			
Pension	4,600	4,588	3,956
Insurance	16,500	16,524	15,629
	<u>21,100</u>	<u>21,112</u>	<u>19,585</u>

Long Rapids Township

General Fund

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL**

	Year Ended March 31		
	2005 Budget	2005 Actual	2004 Actual
<b>EXPENDITURES (continued)</b>			
Cemetery			
Wages	\$ 8,000	\$ 6,056	\$ 7,284
Supplies	600	474	461
Professional fees	-	1,048	-
Utilities	120	116	96
Land acquisition	10,500	10,000	-
	<u>19,220</u>	<u>17,694</u>	<u>7,841</u>
<b>TOTAL GENERAL GOVERNMENT</b>	<u>141,520</u>	<u>128,841</u>	<u>135,747</u>
<b>PUBLIC SAFETY</b>			
Fire Department			
Supplies	12,000	11,393	11,831
Electric	700	620	672
Natural gas	1,500	1,305	1,263
Telephone	550	563	553
Repairs and maintenance	9,000	3,250	9,056
Capital outlay	13,516	13,516	100,000
	<u>37,266</u>	<u>30,647</u>	<u>123,375</u>
<b>PUBLIC WORKS</b>			
Road Commission			
Road repairs	21,000	14,309	10,858
Road chloride	19,000	18,405	19,614
	<u>40,000</u>	<u>32,714</u>	<u>30,472</u>
<b>COMMUNITY AND ECONOMIC DEVELOPMENT</b>			
Planning Department/Commission			
Per diem	1,000	781	594
Supplies	100	13	-
Mileage	100	-	-
	<u>1,200</u>	<u>794</u>	<u>594</u>
<b>OTHER FUNCTIONS</b>			
Contingency	<u>17,400</u>	<u>-</u>	<u>-</u>
	<u>17,400</u>	<u>-</u>	<u>-</u>



Long Rapids Township

General Fund

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL**

	Year Ended March 31		
	2005 Budget	2005 Actual	2004 Actual
<b>EXPENDITURES (continued)</b>			
<b>DEBT SERVICE</b>			
Principal retirement	\$ 15,000	\$ 15,000	\$ 15,000
Interest and fees	16,990	16,956	17,760
	<u>31,990</u>	<u>31,956</u>	<u>32,760</u>
<b>TOTAL EXPENDITURES</b>	<u>269,376</u>	<u>224,952</u>	<u>322,948</u>
<b>EXCESS REVENUES OVER (UNDER) EXPENDITURES</b>	(56,461)	17,248	(91,063)
<b>FUND BALANCE - Beginning of the Year</b>	<u>479,571</u>	<u>479,571</u>	<u>570,634</u>
<b>FUND BALANCE - End of the Year</b>	<u>\$ 423,110</u>	<u>\$ 496,819</u>	<u>\$ 479,571</u>

Long Rapids Township

Trust and Agency Fund

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -  
ALL AGENCY FUNDS**

---

	Balances, April 1, 2004	Additions	(Deductions)	Balances, March 31, 2005
<b>ASSETS</b>				
Cash	\$ 75,704	\$ 698,943	\$ 688,568	\$ 86,079
	<u>\$ 75,704</u>	<u>\$ 698,943</u>	<u>\$ 688,568</u>	<u>\$ 86,079</u>
<b>LIABILITIES AND EQUITY</b>				
Due to other governmental units	\$ 75,704	\$ 698,943	\$ 688,568	\$ 86,079
	<u>\$ 75,704</u>	<u>\$ 698,943</u>	<u>\$ 688,568</u>	<u>\$ 86,079</u>

Long Rapids Township

**SCHEDULE OF INDEBTEDNESS**

March 31, 2005

	Interest Rate	Date of Maturity	Principal Payable	Annual Interest Payable
<b>GENERAL FUND</b>				
1996 General Obligation	5.30%	2006	\$ 10,000	\$ 6,655
Unlimited Tax Bonds	5.40%	2007	10,000	6,120
Date of Issue:	5.50%	2008	10,000	5,575
April 18, 1996	5.60%	2009	10,000	5,020
Amount of Issue:	5.70%	2010	10,000	4,455
\$175,000	5.80%	2011	10,000	3,880
	5.90%	2012	10,000	3,295
	6.00%	2013	10,000	2,700
	6.00%	2014	10,000	2,100
	6.00%	2015	10,000	1,500
	6.00%	2016	10,000	900
	6.00%	2017	10,000	300
			<u>120,000</u>	<u>42,500</u>
2002 General Obligation	7.40%	2006	5,000	8,820
Unlimited Tax Bonds	7.40%	2007	5,000	8,470
Date of Issue:	7.40%	2008	5,000	8,120
November 14, 2002	7.40%	2009	5,000	7,770
Amount of Issue:	7.40%	2010	5,000	7,420
\$175,000	7.40%	2011	5,000	7,070
	7.40%	2012	10,000	6,645
	7.40%	2013	10,000	6,145
	7.40%	2014	10,000	5,645
	7.40%	2015	10,000	5,145
	7.40%	2016	10,000	4,645
	7.40%	2017	10,000	4,145
	7.40%	2018	10,000	3,640
	7.40%	2019	10,000	3,130
	7.40%	2020	10,000	2,615
	7.40%	2021	15,000	1,965
	7.40%	2022	15,000	1,181
	7.40%	2023	15,000	394
			<u>165,000</u>	<u>92,965</u>
Totals			<u>\$ 285,000</u>	<u>\$ 135,465</u>

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*TAX, AUDIT AND BUSINESS CONSULTANTS*

RETIRE  
GORDON A. NETHERCUT, C.P.A.  
CARL F. REITZ, C.P.A.  
WARREN W. YOUNG, C.P.A.

To the Board of Trustees  
**Long Rapids Township**  
Long Rapids, Michigan

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of **Long Rapids Township, Lachine, Michigan**, as of and for the year ended March 31, 2005, which collectively comprise the **Long Rapids Township, Lachine, Michigan's** basic financial statements and have issued our report thereon dated September 29, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered **Long Rapids Township's** internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the **Long Rapids Township's** financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Township Board of Trustees, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

*Straley, Ilsley & Lamp P.C.*

September 29, 2005

**STRALEY, ILSLEY & LAMP P.C.**

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*TAX, AUDIT AND BUSINESS CONSULTANTS*

RETIRED  
GORDON A. NETHERCUT, C.P.A.  
CARL F. REITZ, C.P.A.  
WARREN W. YOUNG, C.P.A.

September 30, 2005

To the Township Board  
Long Rapids Township  
Alpena, Michigan

We have audited the financial statements of Long Rapids Township for the year ended March 31, 2005, and have issued our report thereon dated September 30, 2005. Professional standards require that we provide you with the following information related to our audit.

**Our Responsibility under Generally Accepted Auditing Standards**

As stated in our engagement letter dated September 15, 2005, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the general purpose financial statements are free of material misstatement and are fairly presented in accordance with generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute, assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or other illegal acts may exist and not be detected by us.

As part of our audit, we considered the internal control of Long Rapids Township. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

**Significant Accounting Policies**

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Long Rapids Township are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ending March 31, 2005. We noted no transactions entered into by the governmental unit during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

**Accounting Estimates**

Accounting estimates are an integral part of the general purpose financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

### **Audit Adjustments**

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the general purpose financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the governmental unit's financial reporting process (that is, cause future financial statement to be materially misstated). In our judgment, some of the adjustments we proposed, which were recorded by the governmental unit, either individually or in the aggregate, indicate matters that could have a significant effect on the governmental unit's financial reporting process.

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### **Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's general purpose financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### **Issues Discussed Prior to Retention of Independent Auditors**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Long Rapids Township's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### **Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### **Reportable Conditions**

Reportable conditions involve matters coming to our attention, under standards established by the American Institute of Certified Public Accountants, relating to significant deficiencies in the design or operations of the internal control structure that, in our judgment, could adversely affect the ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose of financial statements. Following are certain reportable conditions, as well as other matters, we noted during our audit. Our consideration of the internal control structure would not necessarily disclose all matters that might be reportable conditions.

## Other Matters

1. **GASB Statement No. 34 Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments.** During the year ended March 31, 2005, the Township implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. The new standard required government-wide and fund financial statements.

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

2. **Recent Pronouncements.** The Governmental Standards Board and Michigan Department of Treasury, in its continuing process of updating the accounting principles that all governments must adhere to, has issued the following recent pronouncements that will have an impact on the way Long Rapids Township maintains its financial records:

- a. **GASB Statement No. 42 Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries.** This statement establishes accounting and financial reporting standards for impairment of capital assets. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. This statement also clarifies and establishes accounting requirements for insurance recoveries.

We wish to thank the staff of Long Rapids Township for their assistance during the audit.

This report is intended solely for the information and use of Long Rapids Township Board of Commissioners, Michigan Department of Treasury, Management, and others within the governmental unit and is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit the distribution of this report, which upon acceptance by Long Rapids Township, is a matter of public record.

We appreciate the opportunity to serve Long Rapids Township. If you have any questions, or if we can be of further service, please do not hesitate to contact us.

***Straley, Ilsley & Lamp P.C.***